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FROM THE AMBASSADOR

E.O. 11652: XGDS
TAGS: AMGT, PFOR, NZ
SUBJECT: PARM - ANNUAL POLICY AND RESOURCE ASSESSMENT - PART I

REF: CERP 0001

PART I - POLICY ASSESSMENT

A. U.S. INTERESTS

1. GENERAL: FIRST AND FOREMOST, NEW ZEALAND IS A LOYAL
FRIEND AND WILLING ALLY - QUALITIES NOT EASY TO COME
BY IN THE 1970'S. IT SHARES WITH THE U.S. A BASIC
DEVOTION TO DEMOCRACY AND A GOVERNING MODEL AND
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A COMMITMENT TO EQUAL JUSTICE AND INDIVIDUAL HUMAN
RIGHTS AS LEGITIMATE CONSTRAINTS ON GOVERNMENT'S
PURSUIT OF ITS GOALS. HISTORICALLY, NEW ZEALAND HAS
PLAYED A CONSTRUCTIVE ROLE IN WORLD AND REGIONAL AFFAIRS,
ITS POLICIES OFTEN COMPLEMENTING AND SELDOM CONFLICTING
WITH THOSE OF THE U.S. THE RESULTANT COINCIDENCE OF
INTERESTS HAS ENABLED NEW ZEALAND

TO BE A MORE PROMINENT ACTOR IN THE FORMULATION OF U.S. POLICY THAN THE SIZE OF ITS POPULATION AND ECONOMY, THE STRENGTH OF ITS DEFENSES, THE WEALTH OF ITS RESOURCES OR ITS GEOGRAPHIC POSITION -- ALONE OR TOGETHER -- WOULD OTHERWISE MERIT.

2. STARATEGIC AND SECURITY INTERESTS INCLUDE: (A) NEW ZEALAND'S CONTINUED, ACTIVE PARTICIPATION IN THOSE COLLECTIVE SECURITY ARRANGEMENTS WHICH CONTRIBUTE TO THE MAINTENANCE OF STABILITY IN THE SOUTH PACIFIC AND, ULTIMATELY, IN THE WORLD; (B) CONTINUED ACCESS TO NEW ZEALAND FACILITIES, TERRITORY AND AIRSPACE IN SUPPORT OF UNITED STATES MILITARY FORCES ACTING IN FURTHERANCE OF MUTUAL SECURITY OBJECTIVES; (C) THE MAINTENANCE AND MODERIZATION OF ARMED FORCES CAPABLE OF MAKING A MEANINGFUL CONTRIBUTION TO ANZUS, AS WELL AS THE PRESERVATION OF NEW ZEALAND'S TERRITORIAL INTEGRITY; AND (D) PRESERVATION OF ITS WILLINGNESS TO ACT AS AN INTERMEDIARY THROUGH WHICH THE U.S. CAN INFLUENCE THE SOUTH PACIFIC ISLAND NATIONS ON MATTERS OF SECURITY.

3. POLITICAL INTERESTS INCLUDE: (A) NEW ZEALAND'S COOPERATION AND VOCAL SUPPORT, AT INTERNATIONAL FORA AND IN POLITICAL ACTIONS, FOR POLICIES WHICH ARE IN CONCERT WITH OUR OWN; (B) MAINTENANCE AND ENLARGEMENT OF ITS ROLE AS SOUTH PACIFIC REGIONAL LEADER IN MATTERS OF POLITICAL, SOCIAL AN ECONOMIC CONSEQUENCE; (C) ENCOURAGEMENT OF MUTUAL COOPERATION IN EXPANDING ECONOMIC AND TECHNICAL ASSISTANCE TO THE REGION; (D) NEW ZEALAND

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SUPPORT OF U.S. SECURITY OBJECTIVES AND CONTRIBUTIONS TO REGIONAL SELF-DEFENSE, INCLUDING THE MAINTENANCE OF A CLIMATE OF PUBLIC OPINION CONDUCIVE TO THE VISITS OF AMERICAN NUCLEAR-POWERED WARSHIPS; AND (E) ITS ASSUMPTION OF SPECIAL POLITICAL RESPONSIBILITY FOR THE DEVELOPING, AND THUS, POTENTIALLY UNSTABLE, SOUTH PACIFIC ISLAND NATIONS.

4. ECONOMIC AND COMMERCIAL INTERESTS INCLUDE: (A) MAINTENANCE OF A VIABLE NEW ZEALAND ECONOMY CAPABLE OF ENGAGING IN MUTUALLY PROFITABLE, INCREASINGLY UNRESTRICTED TRADE; (B) CONTINUING OPPORTUNITIES FOR U.S. INVESTMENT; (C) NEW ZEALAND'S SUPPORT FOR AND COORDINATION WITH U.S. POLICIES AND INITIATIVES IN AREAS OF ENERGY, TRADE, INTERNATIONAL FINANCE AND ECONOMIC DEVELOPMENT; AND (D) RECIPROCITY IN CIVIL AVIATION ARRANGEMENTS.

5. OTHER U.S. INTERESTS INCLUDE: (A) CULTURAL EXCHANGES; (B) SCIENTIFIC AND TECHNOLOGICAL COOPERATION; (C) CONTINUED USE OF NEW ZEALAND TERRITORY FOR OUR SPACE SURVEILLANCE

PROGRAM AND FOR STAGING OUR ANTARCTIC PROGRAM; AND
(D) NEW ZEALAND COOPERATION IN DETERMINING THE FUTURE
USE OF THE ANTARCTIC'S NATURAL AND LIVING RESOURCES.

B. OVERVIEW

6. GENERAL: NEW ZEALAND IS A SMALL, ISOLATED COUNTRY, BUT
ONE WHICH HAS TRADITIONALLY ENJOYED A HIGH STANDARD OF
LIVING. SINCE WORLD WAR II, IT HAS BEEN A STEADFAST ALLY
OF THE U.S. AND A WILLING, ACTIVE PARTNER IN SEVERAL
MUTUAL SECURITY PACTS (ANZUS, SEATO, FPDA). THE
EXPORT OF WOOL, LAMB, BEEF AND DAIRY PRODUCTS FORMS THE
BACKBONE OF ITS ECONOMY, WITH THE UNITED STATES ONE OF
ITS MAJOR MARKETS. IT HAS SUFFERED SINCE 1974, HOWEVER,
FROM WHAT APPEARS TO BE A STRUCTURAL ECONOMIC IMBALANCE
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DUE TO ADVERSE TERMS OF TRADE CAUSED BY RECENT CHANGES
IN THE WORLD ECONOMY.

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7. POLITICAL AND SECURITY: IN THE FIELD OF FOREIGN POLICY, THE METHODS AND OBJECTIVES OF NEW ZEALAND'S TWO MAJOR POLITICAL PARTIES -- LABOR AND NATIONAL -- HAVE, IN RECENT YEARS, TAKEN ON A MARKED DIFFERENCE. LABOR, COMING TO POWER IN 1972 AND PROFOUNDLY DESENCCHANTED WITH U.S. POLICY IN SOUTHEAST ASIA, BEGAN TO CARVE OUT AN INDEPENDENT FOREIGN POLICY. IT CONTINUED TO SUPPORT U.S. INITIATIVES WHEN CONVINCED THEY WERE IN NEW ZEALAND'S INTERESTS; IT CONTINUED TO PROFESS ADHERENCE TO THE ANZUS ALLIANCE AS THE CORNERSTONE OF NEW ZEALAND'S FOREIGN AND SECURITY POLICY. BUT IN PRACTICE THE EXTERNAL RELATIONS OF LABOR BEGAN TO TEND MORE TOWARD THOSE OF A NON-ALIGNED STATE THAN A STEADFAST "WESTERN" ALLY.

8. WHILE FOREIGN POLICY WAS NOT THE MAIN REASON FOR
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LABOR'S 1975 ELECTORAL DEFEAT BY NATIONAL, NEITHER PARTY ATTEMPTED TO HIDE FROM THE ELECTORATE THE DIFFERENCES OF THEIR APPROACH. LABOR'S STANDOFFISH ATTITUDE TOWARD THE U.S. WAS IN STARK CONTRAST WITH THE POSITIVE, STRONGLY EMBRACING APPROACH OF MULDOON AND THE NATIONAL PARTY.

9. BECAUSE THERE IS NO REASON FOR US TO CONSIDER THAT THESE PARTY ATTITUDES HAVE ALTERED -- OR THAT THEY WILL CHANGE IN THE NEAR FUTURE -- THE FACT THAT THE NATIONAL PARTY WILL CONTINUE IN POWER FOR AT LEAST MOST OF THE NEXT TWO YEARS IS THE SINGLE MOST IMPORTANT ENVIRONMENTAL FACTOR IN ANY POLITICAL LOOK FORWARD. WE CAN ANTICIPATE, ALMOST WITH CERTAINTY, THAT NEW ZEALAND UNDER A NATIONAL GOVERNMENT WILL STRONGLY SUPPORT ANZUS AS THE KEYSTONE OF ITS SECURITY POLICY; THAT IT WILL ENDEAVOR TO RECIPROCATATE THE ANZUS SHIELD, AND AS AN ACTIVE PARTNER, WELCOME AMERICAN NUCLEAR-POWERED WARSHIPS TO NEW ZEALAND PORTS; THAT IT WILL GIVE A COLD SHOULDER TO ANY SUGGESTION FOR A RENEWAL OF LABOR'S SOUTH PACIFIC NUCLEAR WEAPONS FREE ZONE; AND THAT IT WILL EXPECT TO PLAY A LEADERSHIP ROLE IN COUNTERING SOVIET AND PEOPLES' REPUBLIC OF CHINA OVERTURES TO THE SOUTH PACIFIC ISLAND NATIONS.

10. WITH CONSIDERABLY LESS CONFIDENCE DUE TO CURRENT FINANCIAL STRINGENCIES, WE CAN ANTICIPATE THAT THE NATIONAL GOVERNMENT WILL ALSO ENDEAVOR TO MODERNIZE ITS AGING

DEFENSE FORCES, EFFECTIVELY SURVEIL AND CONTROL AN EXPANDED 200 MILE ECONOMIC ZONE, AND MEET THE RISING EXPECTATIONS OF THE ISLAND NATIONS WHO LOOK TO NEW ZEALAND AS A PRIME SOURCE OF WORK, TECHNICAL ASSISTANCE AND ECONOMIC AID.

11. CURRENT U.S. POLICY AIMS AT THE MAINTENANCE AND STRENGTHENING OF CLOSE AND WARM RELATINSHIPS WITH
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NEW ZEALAND. THIS INCLUDES ACTIVE AND CANDID POLITICAL CONSULTATION, MAINTAINING THE CREDIBILITY OF OUR SECURITY GUARANTEE UNDER ANZUS, PROMOTING COOPERATION BETWEEN OUR MILITARY SERVICES, MINIMIZING PROBLEM AREAS WHICH COMPLICATE OUR CONTINUED UTILIZATION OF NEW ZEALAND FACILITIES, AND ENCOURAGEMENT OF A REGIONAL LEADERSHIP ROLE BY NEW ZEALAND.

12. FOR THE NEXT TWO YEARS, U.S. POLICIES SEEM WHOLLY VALID IN PURSUIT OF OUR POLITICAL AND STRATEGIC INTERESTS IN NEW ZEALAND. FURTHERMORE, UNDER THE NATIONAL GOVERNMENT, THERE IS NOT ONLY THE ABSENCE OF A READILY APPARENT POLICY CLASH BUT ALSO A STRONG COMMITMENT TO MUTUAL RESOLUTION OF OUTSTANDING PROBLEMS. CRITICAL TO THIS PROCESS, HOWEVER, WILL BE PERSISTENT REINFORCEMENT OF OUR POLICY OF CONSULTATIONS WITH NEW ZEALAND ON VIRTUALLY EVERY ISSUE OF MUTUAL CONCERN. THIS IS THE ONE AREA WHERE THE NATIONAL GOVERNMENT CAN BE CERTAIN TO BE SENSITIVE. WHETHER IT BE ON ISSUES OF NATIONAL SECURITY, TRADE, BEEF QUOTAS, LANDING RIGHTS OR SCIENTIFIC EXCHANGE, WE MUST NOT ONLY ACTIVELY CONSULT BUT ALSO GIVE EVERY APPEARANCE OF RESPECTING NEW ZEALAND'S CONCERNS AND ALUING ITS ADVICE.

13. U.S. LEADERSHIP IN THE FIELDS OF NUCLEAR NONPROLIFERATION, ARMS CONTROL AND DISARMAMENT WILL FIND STRONG SUPPORT FROM NEW ZEALAND. HERE TOO, HOWEVER, THERE WILL BE GENUINE NEW ZEALAND SENSITIVITY TO THE PROCESS OF CONSULTATIONS WITH ITS ALLIES, PARTICULARLY THE U.S. THIS WILL BE ESPECIALLY TRUE OF THE PROPOSED U.S. TROOP WITHDRAWALS FROM KOREA AND INITIATIVES FOR DEMILITARIZATION IN THE INDIAN OCEAN. IN EACH INSTANCE NEW ZEALAND WILL SEEK AND EXPECT PRIOR REASSURANCE FROM THE U.S. THAT ITS OWN SECURITY INTERESTS ARE BEING CONSIDERED AND PROTECTED.

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14. ECONOMIC: SINCE 1974, NEW ZEALAND HAS BEEN FACED WITH A SEVERE BALANCE OF PAYMENTS DEFICIT COMBINED WITH A SERIOUSLY HIGH RATE OF INFLATION. THE FOUR-FOLD INCREASE IN THE COST OF PETROLEUM IMPORTS SINCE 1973, COMBINED WITH FORCED CHANGES IN ITS TRADITIONALLY U.K.-ORIENTED TRADING PATTERS AND HIGH INTERNATIONAL RATES OF INFLATION, HAVE CONVINCED MANY ECONOMISTS THAT THE NEW ZEALAND ECONOMY SUFFERS FROM A STRUCTURAL, CHRONIC IMBLANCE.

15. THE GOVERNMENT HAS STRIVEN TO EXPAND EXISTING MARKETS AND DEVELOP MAJOR NEW ONES; IT HAS SUCCEEDED IN OBTAINING FOREIGN LOANS; AND IT HAS TAKEN SPECIFIC DOMESTIC STEPS TO REDUCE ITS RATE OF INFLATION. BUT IT HAS ALSO DEMANDED OF ITS CITIZENS SACRIFICES OF AMAGNITUDE SUFFICIENT TO CAUSE AN EFFECTIVE REDUCTION IN REAL LIVING STANDARDS OVER THE PAST YEAR. A REALISTIC ECONOMIC FORECAST FOR THE NEXT TWO YEARS WOULD CALL FOR MORE OF THE SAME WITH THE ADDITIONAL DIFFICULTY OF NATIONAL GOVERNMENT FACING THE ELECTORATE IN 1978, BURDENED WITH POOR RESULTS IN ITS ATTEMPTS TO RESTORE BALANCE TO THE NEW ZEALAND ECONOMY.

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16. THERE IS A VERY REAL POSSIBILITY THAT IN THE NEAR FUTURE NEW ZEALAND ECONOMIC POLICY (ESPECIALLY TRADE) MAY CONFLICT WITH THE UNITED STATES'. PROBABLY IT WILL FOCUS ON NEW ZEALAND BEEF AND DAIRY PRODUCTS AND NEW ZEALAND'S DESIRE TO CONSIDERABLY INCREASE ITS ALREADY LARGE EXPORTS TO THE U.S. MARKET. IN BOTH INSTANCES, NEW ZEALAND WILL BE PUSHING AGAINST U.S. QUOTAS. THIS WILL BE PARTICULARLY TRUE IN THE CASE OF DAIRY PRODUCTS WHERE NEW ZEALAND IS BEING FORCED BY THE EEC TO FIND NEW MARKETS FOR ITS LARGE, TRADITIONAL SALES IN THE U.K. PRIME MINISTER MULDOON MAY LOOK TO THE U.S. FOR SUPPORT IN HIS ECONOMIC POLICIES, NOT HESITATING TO POINT OUT THAT HIS OPEN-ARMED EMBRACE OF NPW VISITS AND A REVITALIZED ANZUS CANNOT BE DIVORCED FROM NEW ZEALAND'S CRITICAL ECONOMIC PROBLEMS. HE WILL WELCOME COORDINATION AMONG THE U.S., JAPAN, CONFIDENTIAL

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AUSTRALIA AND NEW ZEALAND ON POLICIES OF ASSISTANCE TO THE REGIONAL LDC'S. IT SHOULD BE EXPECTED, HOWEVER, THAT NEW ZEALAND WILL POINT OUT, AS IT HAS DONE ALREADY, THE CONSTRAINTS ITS OWN ECONOMIC SITUATION PLACES ON THE SCOPE AND VOLUME OF ITS FOREIGN ASSISTANCE EFFORTS.

17. OTHER: WHILE LABOR HAS TRADITIONALLY BEEN STRONGER THAN NATIONAL IN THE AREA OF INDIVIDUAL HUMAN RIGHTS, WE CAN EXPECT NEW ZEALAND UNDER EITHER PARTY TO CHAMPION HUMAN RIGHTS IN BILATERAL POLITICAL DISCUSSIONS AND AT INTERNATIONAL FORA. NEW ZEALAND HAS LONG PRIDED ITSELF IN THE CONDUCT OF ITS MULTI-RACIAL SOCIETY. THAT THE REAL LOT OF ITS MAORI AND POLYNESIAN POPULATION IS, HOWEVER, ONE OF LOWER EXPECTATIONS, MINOR EXPLOITATION AND REDUCED ECONOMIC OPPORTUNITY IS ONLY NOW BECOMING APPARENT TO EUROPEANS AND POLYNESIANS ALIKE. EVEN AS NEW ZEALAND SUPPORTS THE U.S. INITIATIVE IN HUMAN RIGHTS -- AND IT CAN BE EXPECTED TO DO SO IN MULTILATERAL CHANNELS WITH A STRONG VOICE -- IT WILL BE FACED AT HOME BY INCREASED DISSIDENCE, HEIGHTENED RACIAL FRICTION AND A NEW-FOUND AWARENESS THAT HUMAN RIGHTS IS NOT SOLELY A FOREIGN PROBLEM.

18. THE NEXT TWO YEARS WILL WITNESS A CONTINUED, BALANCED LEVEL OF CULTURAL AND SCIENTIFIC EXCHANGES WITH NEW ZEALAND. THE HIGH DEGREE OF COOPERATION WHICH HAS LONG TYPIFIED THE STAGING OF OUR

ANTARCTIC PROGRAM WILL CONTINUE UNABATED. NEW ZEALAND
CAN BE EXPECTED TO WORK COOPERATIVELY WITH THE U.S.
IN DESIGNING AN ACCEPTABLE SYSTEM OF ANTARCTIC
RESOURCE MANAGEMENT (AT THE SAME TIME JEALOUSLY
PROTECTING ITS TERRITORIAL CLAIMS IN THE
ROSS DEPENDENCY.

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C. OBJECTIVES, COURSES OF ACTION, AND ISSUES

19. SECURITY

(A) OBJECTIVE: MAKE CLEAR THAT THE U.S.
INTENDS TO CONTINUE TO PLAY A KEY ROLE IN THE
ASIAN/PACIFIC REGION AND, IN PARTICULAR,
INTENDS TO MAINTAIN THE CREDIBILITY OF ITS
ANZUS COMMITMENT.

(B) COURSES OF ACTION: CONTINUALLY REVIEW
OUR NEW ZEALAND CONTACTS TO MAKE CERTAIN WE ARE
REACHING THOSE IN NEW ZEALAND WITH POWER AND
INFLUENCE

USE THE FULL FACILITIES OF USIS TO DISSEMINATE
AND EXPLAIN U.S. DEFENSE AND FOREIGN POLICIES AND
ACTIONS TO A NEW ZEALAND AUDIENCE CAREFULLY
SELECTED IN CONSULTATIONS WITH THE COUNTRY TEAM.

USE THE POST'S LIMITED REPRESENTATION FUNDS TO BRING
TOGETHER EMBASSY OFFICERS AND SELECTED NEW
ZEALANDERS AND RESIDENT DIPLOMATS FOR RELAXED
AND INFORMAL EXCHANGES OF VIEWS AND INFORMATION.

MAINTAIN ANZUS CREDIBILITY BY ENCOURAGING INCREASED
MILITARY CONTACTS AT ALL LEVELS THROUGH PERSONNEL
EXCHANGES, PERIODIC COMBINED MILITARY EXERCISES,
RECIPROCAL VISITS BY HIGH RANKING DEFENSE AND
MILITARY OFFICIALS, AND AIRCRAFT AND
SHIP VISITS.

EXTEND FULL, PUBLIC SUPPORT TO THE GNZ FOR
ITS DECISION TO ADMIT AMERICAN NPW'S
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TO NEW ZEALAND PORTS. THROUGH THE FREQUENCY
OF VISITS BY BOTH NPW'S AND CONVENTIONALLY
POWERED WARSHIPS, ENDEAVOR TO MAKE THESE
VISITS ONCE AGAIN A MATTER OF ROUTINE. DRAW
ATTENTION TO THE NPW SAFETY RECORD AND THEIR
ACCEPTABILITY IN FOREIGN PORTS WORLD-WIDE.
EMPHASIZE IN A LOW-KEY WAY THAT ANZUS IS A
TWO-WAY STREET AND THAT THE DEFENSE ASSISTANCE
WHICH NEW ZEALAND RECEIVES UNDER THE ANZUS SHIELD
MUST BE RECIPROCATED RATHER THAN IMPEDED.

CONTINUE TO PAS TO KEY OFFICIALS OF THE MINISTRY
OF FORIEGN AFFAIRS AND THE MINISTRY OF DEFENSE
SELECTED REPORTING FROM OUR ASIAN AND PACIFIC
POSTS WHICH REFLECTS THE U.S. ROLE IN THE AREA
AND WHICH COULD ASSIST THE GNZ IN DEVELOPING
COMPLEMENTARY POLICIES AND COURSES OF ACTION.

ENCOURAGE PARTICIPATION AT THE HIGHEST LEVELS
IN THE REGULARLY HELD ANZUS OFFICIALS AND
COUNCIL MEETINGSN MAINTAIN FLEXIBILITY
REGARDING MEETING DATES, IF NECESSARY, TO
ACCOMMODATE HIGH LEVEL PARTICIPATION.

URGE THE GNZ TO CONSULT WITH US CLOSELY ON
GNZ INITIATIVES WHICH MIGHT AFFECT OUR MUTUAL
SECURITY INTERESTS.

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(C) ISSUES: THE SINGLE MAJOR IMPEDIMENT TO THE FOREGOING COURSES OF ACTION IS THE INSISTENCE OF THE GNZ MINISTRY OF AGRICULTURE (IN FULFILLMENT OF ITS MANDATE TO PROTECT NEW ZEALAND'S PASTORAL-BASED ECONOMY) THAT IT INSPECT THE MEAT LOCKERS OF ALL NAVAL VESSELS CARRYING NON-U.S. ORIGIN MEAT, OR MEAT SUPPLIES TAKEN ABOARD AT NON-U.S. PORTS. SUCH AN ARRANGEMENT IS, OF COURSE, UNACCEPTABLE TO THE U.S. NAVY. THE GNZ HAS INDICATED ITS WILLINGNESS TO TRY TO RESOLVE THE PROBLEM AND, IN THE MEANTIME, HAS RECOMMENDED THAT THE U.S. NAVY DISPATCH TO NEW ZEALAND ONLY THOSE SHIPS WEST-BOUND FROM U.S. PORTS. THE U.S. NAVY HAS BEEN RELUCTANT TO ACCEPT THIS RESTRICTION, EVEN TEMPORARILY, ON ITS OPERATIONS INTO NEW ZEALAND.

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UNLESS WE ARE PREPARED TO UNDERGO PERIODICALLY THE KIND OF CAREFULLY ORCHESTRATED PUBLIC TUMULT WHICH GREETED THE ARRIVAL OF THE FIRST NPW'S IN 1976, IT IS IMPERATIVE THAT WARSHIP VISITS BE PERCEIVED AS BOTH REGULAR AND ROUTINE. THE GNZ WANTS THE VISITS; IT WANTS TO RESOLVE THE MEAT LOCKER PROBLEM; A MUTUALLY SATISFACTORY RESOLUTION IS FORESEEABLE AND IS BEING PURSUED. IN THE MEANTIME, U.S. POLICY OBJECTIVES IN THIS AREA WOULD BE GREATLY ENHANCED IF MORE WEST-BOUND NAVY SHIPS COULD BE SCHEDULED INTO NEW ZEALAND, UNDERSTANDING THAT SUCH A RESTRICTION WILL BE OF A TEMPORARY NATURE.

20. (A) OBJECTIVE: THE CONTINUED PARTICIPATION OF NEW ZEALAND IN THOSE SECURITY ARRANGEMENTS WHICH ARE REGIONALLY STABILIZING, PREIMARILY ANZUS AND THE FIVE POWER DEFENSE ARRANGEMENT (FPDA).

(B) COURSES OF ACTION: DEFENSE AND REGIONAL SECURITY HAVE NOT BEEN PROMINENT IN NEW ZEALAND POLITICS -- OR BUDGET -- IN RECENT YEARS. THROUGH OUR OWN COMMITMENT TO ANZUS AND DEMONSTRATED INTEREST IN THE PACIFIC AREA, WE SHOULD MAKE CLEAR

TO KEY GNZ OFFICIALS OUR EXPECTATION THAT
NEW ZEALAND WILL CONTINUE TO PLAY AN ACTIVE
ROLE IN THE REGIONAL SECURITY SYSTEMS.
THIS INCLUDES ENCOURAGEMENT OF A GREATER GNZ
INVESTMENT IN DEFENSE. AT THE SAME TIME,
HOWEVER, WE SHOULD RECOGNIZE THE
CONSTRAINTS ON DEFENSE SPENDING OF
ITS CURRENT ECONOMIC DIFFICULTY.

INSURE THROUGH PRIOR CONSULTATION THAT THE
GNZ UNDERSTANDS U.S. THINKING AND OBJECTIVES
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IN ACTIONS INTEREST TO NEW ZEALAND,
PARTICULARLY ANY FORCE REDUCTIONS IN
THE PACIFIC OR MOVES TOWARD DEMILITARIZATION
OF THE INDIAN OCEANS AREA.

IMPRESS ON NEW ZEALAND THE IMPORTANCE WE ATTACH
TO THE FPDA AS A MEANS OF REINFORCING STABILITY
IN THE MALAYSIA-SINGAPORE AREA. ASSIST
NEW ZEALAND WITH RESOLUTION OF PROBLEMS ASSOCIATED
WITH THE CONTINUED BASING OF ITS
DEFENSE FORCES IN SINGAPORE.

21. (A) OBJECTIVE: INSURE CONTINUED U.S. ACCESS
TO NEW ZEALAND TERRITORY BY U.S.
MILITARY FORCES AND, PERHAPS MOST PROMINENT, AMERICAN
NPW'S.

(B) COURSES OF ACTION: SCHEDULE PERIODIC
VISITS TO NEW ZEALAND PORTS BY NAVY WARSHIPS
(BOTH NUCLEAR AND CONVENTIONALLY POWERED)
AND ARMY AND AIR FORCE VISITS.

ENCOURAGE INCREASED MILITARY CONTACTS AT ALL
LEVELS THROUGH PERSONNEL EXCHANGES, PERIODIC
COMBINED EXERCISES AND RECIPROCAL VISITS OF
KEY DEFENSE OFFICIALS.

CONTINUE CLOSE EXCHANGE OF AREA INTELLIGENCE
INFORMATION AND SUPPORT THE ESTABLISHMENT AND
MAINTENANCE OF THE ANZUS INDICOM CIRCUIT LINKING
DEFENSE INTELLIGENCE OFFICERS OF THE THREE
NATIONS.

IMPRESS UPON THE GNZ THE CONTINUED IMPORTANCE
OF ACCESS TO NEW ZEALAND FACILITIES AS PART
OF OUR REGIONAL GLOBAL SECURITY PLAN.
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REASSURE THE GNZ OF OUR RELIABILITY AS AN ALLY
AND OUR VIEW THAT ONLY THROUGH FULL USE
OF OUR STRATEGIC RESOURCES CAN WE FULFILL OUR
OBLIGATIONS TO NEW ZEALAND UNDER ANZUS.

USIS SHOULD CONTINUE TO MOUNT A
VIGOROUS INFORMATION PROGRAM IN THE NEW ZEALAND
PRESS, RADIO, TELEVISION AND THROUGH PERSONAL
CONTACTS, DIRECTED AT MAINTAINING A CLIMATE OF
PUBLIC OPINION SUPPORTIVE OF NEW ZEALAND'S
ACTIVE PARTICIPATION IN ANZUS AND CONDUCIVE
TO THE VISITS OF AMERICAN ARMED FORCES AND
NPW'S.

AN EQUAL EFFORT SHOULD BE MOUNTED BY THE COUNTRY
TEAM, AIMED AT THE LABOR PARTY LEADERSHIP,
ENDEAVORING THROUGH PERSONAL CONTACT AND THE
EXCHANGE OF INFORMATION TO CREATE GREATER
ACCEPTANCE OF ANZUS AND APPRECIATION FOR THE
IMPORTANCE FULL PARTICIPATION
BY ALL THE ANZUS PARTNERS PLAYS IN NEW ZEALAND'S
OWN SECURITY PLANS.

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FROM THE AMBASSADOR

(C) ISSUES: NEW ZEALANDERS RECOGNIZE THAT THE UNITED STATES IS A MAJOR PACIFIC POWER AND THAT WE INTEND TO REMAIN ONE. SUCCESSIVE GOVERNMENTS, INCLUDING THE PRESENT ONE, HAVE REAFFIRMED THAT THE ANZUS TREATY COMMITMENT IS BASIC TO NEW ZEALAND'S SECURITY.

THE NATIONAL GOVERNMENT RECOGNIZES THAT TO CONTINUE TO RELY ON THE U.S. PROTECTIVE UMBRELLA, NEW ZEALAND MUST MAINTAIN A REALISTIC DEFENSE FORCE AND ACTIVE ANZUS PARTICIPATION.

THE LABOR PARTY, ON THE OTHER HAND, WHILE CONTINUING TO RELY ON THE U.S. UMBRELLA, HAS ADOPTED POLICIES (SOUTH PACIFIC NUCLEAR WEAPONS CONFIDENTIAL

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FREE ZONE AND NON-ADMISSION OF NPW'S TO NEW ZEALAND PORTS) WHICH WOULD RESTRICT -- AND EVEN IMPEDE -- THE OPERATIONS OF U.S. STRATEGIC FORCES IN NEW ZEALAND WATERS AND THE SOUTH PACIFIC REGION.

THE EMBASSY AND THE DEPARTMENTS OF STATE AND DEFENSE SHOULD ALSO BE ALERT TO THE LIKELIHOOD THAT THE GNZ WILL SEEK THE CONCLUSION OF A STATUS OF FORCES AGREEMENT (SOFA) WITH THE U.S. WE DO NOT SHARE THE GNZ'S INTEREST IN A SOFA AS A REPLACEMENT FOR THE EXISTING SATISFACTORY ARRANGEMENTS, AND OUR POLICY HAS BEEN ONE OF NOT PRESSING THE MATTER. WHILE WE SHOULD CONTINUE TO LEAVE THE INITIATIVE WITH THE GNZ, WE SHOULD ALSO BEGIN TO ASSESS OUR FUTURE OPTIONS AND COURSES OF ACTION IN REACTION TO THEIR EXPECTED INITIATIVE FOR NEGOTIATIONS.

22. (A) OBJECTIVE: THE MODERNIZATION AND STANDARDIZATION OF THE NEW ZEALAND DEFENSE FORCES.

(B) COURSES OF ACTION: MAINTAIN THE FMS PROGRAM IN SUPPORT OF NEW ZEALAND REQUIREMENTS. ENCOURAGE NEW

ZEALAND TO ACQUIRE REPLACEMENT EQUIPMENT OF U.S. ORIGIN
TO INSURE COMPATABILITY WITH U.S. FORCES. ENCOURAGE
THE GNZ MILITARY SERVICES TO CONTINUE TO CONSULT
REGULARLY WITH COUNTERPART U.S. SERVICES CONCERNING
THE STANDARDIZATION OF MILITARY STRATEGY, TACTICS AND
HARDWARE. THIS CAN BE DONE MOST EFFECTIVELY THROUGH THE
ANZUS FORUM.

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23. POLITICAL

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(A) OBJECTIVE: NEW ZEALAND'S SUPPORT FOR MAJOR
U.S. POLICIES AND INITIATIVES, ESPECIALLY IN ASIA AND
THE PACIFIC; FREE EXCHANGE OF VIEWS ON INTERNATIONAL ISSUES AND
CONSULTATIONS IN ADVANCE ON MATTERS OF MUTUAL CONCERN.

(B) COURSES OF ACTION: U.S. OFFICIALS, AND
PARTICULARLY OUR AMBASSADOR IN WELLINGTON SHOULD
CONTINUE TO MAXIMIZE CONTACT WITH THE PRIME MINISTER
AND OTHER SENIOR GNZ OFFICIALS TO DISCUSS SENSITIVE
ISSUES AND SHARE INFORMATION ON MATTERS OF MUTUAL
CONCERN.

WHILE MAINTAINING FRIENDLY WORKING RELATIONSHIPS
WITH THE NATIONAL GOVERNMENT, THE COUNTRY TEAM SHOULD
CONTINUE AND INTENSIFY ITS CONTACTS WITH THE LEADERSHIP
AND POTENTIAL FUTURE LEADERSHIP OF THE LABOR PARTY.
WE SHOULD MAKE CERTAIN THAT LABOR HAS AN EQUALLY CLEAR
AND CURRENT KNOWLEDGE AND UNDERSTANDING OF U.S. POLICIES.

THE FULL FACILITIES OF THE COUNTRY TEAM IN
WELLINGTON, AUCKLAND AND CHRISTCHURCH SHOULD BE USED IN
MAKING KNOWN TO NEW ZEALANDERS U.S. VIEWS ON MAJOR
INTERNATIONAL ISSUES AND EXPLANATIONS OF OUR MAJOR
POLICIES AND ACTIONS.

WE SHOULD ACTIVELY SEEK NEW ZEALAND SUPPORT FOR
U.S. INITIATIVES ON HUMAN RIGHTS, NONPROLIFERATION,
BANNING NUCLEAR TESTING AND DISARMEMENT. THE GNZ,
UNDER BOTH PARTIES, HAS VIEWED ITSELF IN THE FOREFRONT
OF WORLD OPINION IN THESE ISSUES. THROUGH EARLY
CONSULTATION AND FRANK EXCHANGES, WE SHOULD ATTEMPT TO
INFLUENCE FORMULATION OF NEW ZEALAND POLICIES IN THESE
AREAS COMPLEMENTARY TO OUR OWN.

MAJOR U.S. POLICY STATEMENTS AND BACKGROUNDERS
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SHOULD CONTINUE TO BE MADE AVAILABLE TO KEY GOVERNMENT
AND OPPOSITION OFFICIALS RAPIDLY THROUGH USIS RESOURCES.

WE SHOULD CONTINUE TO CHOOSE CAREFULLY GRANTEES
FOR VISITS TO THE U.S. WHO CAN BRING BACK TO THEIR
COLLEAGUES AND FRIENDS BALANCED VIEWS OF THE U.S. WE
SHOULD BE ALERT TO OPPORTUNITIES FOR FACILITATIVE
ASSISTANCE FOR NEW ZEALAND LEADERS WHO HAVE ARRANGED
THEIR OWN PLANS FOR VISIT TO THE U.S. THESE PERSONS SHOULD
BE GIVEN APPROPRIATE TREATMENT WHEN IN THE UNITED STATES.

PROMOTE TOURISM TO THE UNITED STATES.

(C) ISSUES: THE NATIONAL GOVERNMENT, AND ESPECIALLY
PRIME MINISTER MULDOON, HAS FREQUENTLY DEMONSTRATED A
WILLINGNESS AND, INDEED, A DESIRE FOR A CLOSE, WARM
RELATIONSHIP WITH THE U.S. THE AMERICAN AMBASSADOR
HAS ESTABLISHED A PARTICULARLY OPEN AND FRIENDLY RAPPORT
WITH THE PRIME MINISTER, AND THE GNZ HAS WELCOMED
OPPORTUNITIES TO SHARE INFORMATION ON MATTERS OF MUTUAL
CONCERN. UNDER THE NATIONAL GOVERNMENT, NEW ZEALAND HAS
POINTEDLY ENDEAVORED TO BREATHE NEW LIFE INTO ITS
ALLIANCE WITH THE U.S. IT HAS ADOPTED POLITICAL AND
SECURITY POLICIES COMPLEMENTARY OF OUR OWN, AND MOREOVER
HAS SHOWN A WILLINGNESS TO RESOLVE PROBLEMS ARISING FROM
OUR DIFFERENCES. THE GNZ, THEREFORE, EXPECTS TO BE FULLY
CONSULTED BY THE U.S. ON MAJOR POLICY INITIATIVES AND
PARTICULARLY WHEREEVER/WHENEVER ITS OWN INTERESTS ARE
INVOLVED.

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FROM THE AMBASSADOR

THE OPPOSITION LABOR PARTY, ON THE OTHER HAND, HAS HAD A RECENT HISTORY OF DISAGREEMENT WITH SOME AMERICAN POLICIES AND ACTIONS. THE LABOR LEADERSHIP IS USUALLY RESPONSIVE TO BOTH FORMAL AND INFORMAL CONTACTS WITH THE AMBASSADOR, THE MISSION TEAM AND AMERICAN VISITORS. A CONSCIOUS EFFORT SHOULD CONTINUE TO BE MADE BY THE EMBASSY, THEREFORE, TO ENSURE CANDID DISCUSSIONS ABOUT AND FULL UNDERSTANDING OF U.S. POLICIES.

24. (A) OBJECTIVE: ENCOURAGE CONTINUED NEW ZEALAND BILATERAL COOPERATION WITH OTHER FRIENDLY ASIAN COUNTRIES, ESPECIALLY JAPAN, AND THE DEVELOPMENT OF NEW AVENUES OF DISCUSSION WITH ASEAN STATES.

(B) COURSES OF ACTION: ASSIST THE FEW AND THINLY-STAFFED NEW ZEALAND MISSIONS IN ASIA BY PASSING TO THEM, CONFIDENTIAL

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ON A REGULAR BASIS, INFORMATION AND VIEWS ON POLICIES AND ACTIONS OF THE ASIAN COUNTRIES. THIS SHOULD BE DONE BOTH IN THE ASIAN CAPITALS AND IN WELLINGTON.

ENCOURAGE NEW ZEALAND OFFICIALS TO VISIT THE ASEAN STATES AND DISCUSS WITH ASEAN LEADERS ECONOMIC AND POLITICAL PROBLEMS OF MUTUAL CONCERN. IN ADDITION, ENCOURAGE NEW ZEALAND TO CONTINUE TO ACCEPT THE THOUSANDS OF ASIAN STUDENTS, MANY FROM ASEAN STATES, WHO COME TO NEW ZEALAND FOR PORTIONS OF THEIR EDUCATION.

URGE THE GNZ TO EXTEND TO ITS ECONOMIC AND COMMERCIAL TIES INTO ASIA AND PARTICULARLY TO JAPAN.

(C) ISSUE: IT IS THE POLICY OF THE NATIONAL GOVERNMENT TO STRENGTHEN ITS CONTACTS WITH ALL ASIAN COUNTRIES AND TO SEEK IN ASIA NEW AND EXPANDED MARKETS FOR ITS PASTORAL AND MANUFACTURED PRODUCTS.

25. (A) OBJECTIVE: CONTINUATION OF NEW ZEALAND'S LEADERSHIP ROLE IN THE SOUTH PACIFIC.

(B) COURSES OF ACTION: ASSURE THE GNZ THAT WHILE THE U.S. ALSO HAS LEGITIMATE INTERESTS IN THE SOUTH PACIFIC, WE HAVE NO INTENTIONS OR DESIRES TO SUPPLANT THE LEADERSHIP OF NEW ZEALAND.

MAKE APPARENT, BY REGULAR BRIEFINGS AND EXCHANGES OF INFORMATION WITH THE MFA PACIFIC DIVISION, OUR RECOGNITION OF NEW ZEALAND'S UNIQUE EXPERTISE AND LEADERSHIP IN THE SOUTH PACIFIC.

THE U.S. SHOULD MAINTAIN ITS INTERESTS IN THE SOUTH PACIFIC COMMISSION AND CONTRIBUTE IN A MODEST WAY TO ITS MULTILATERAL PROGRAMS. EMBASSY WELLINGTON SHOULD BE ACTIVELY INVOLVED WITH THE DEPARTMENT IN U.S. PARTICIPATION TO THE EXTENT POSSIBLE.

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PARTICIPATION TO THE EXTENT POSSIBLE.

TRAVEL FUNDS SHOULD BE BUDGETED TO PERMIT THE AMBASSADOR TO MAKE REGULAR SEMI-ANNUAL VISITS TO THE ISLAND COUNTRIES AND TO ALLOW VISITS THERE BY OFFICERS ACCREDITED AND REQUIRED BY THE AMBASSADOR TO GO. WE SHOULD REASSURE THE GNZ THAT PERIODIC MISSION VISITS TO THE ISLAND COUNTRIES IN NO WAY DENIGRATES THE SPECIAL ROLE OF NEW ZEALAND. THIS SAME POINT SHOULD BE MADE, IN A LOW-KEY WAY, TO THE LEADERSHIP OF THE ISLAND STATES.

(C) ISSUES: NEW ZEALAND FEELS COMFORTABLE IN HER RELATIONS WITH ISLAND NATIONS OF THE SOUTH PACIFIC AND BELIEVES THAT SHE SHOULD, BECAUSE OF HER LOCATION AND SIZE, EXERCISE A LEADERSHIP ROLE THERE.

MORE THAN HALF OF NEW ZEALAND'S FOREIGN AID IS PLEDGED TO THE PACIFIC AREA, AND NEW ZEALAND HAS SPECIAL BILATERAL RELATIONSHIPS WITH A NUMBER OF THE ISLAND NATIONS. THROUGH THIS SPECIAL RELATIONSHIP, NEW ZEALAND HAS ENDEAVORED IN THE PAST YEAR TO MINIMIZE THE EFFECTIVENESS OF SOVIET AND PRC OVERTURES TO THE ISLAND STATES FOR NEW POLITICAL, ECONOMIC AND AID RELATIONS.

26. ECONOMIC AND COMMERCIAL

(A) OBJECTIVE: NEW ZEALAND'S ACTIVE PARTICIPATION AND COOPERATION IN THE INTERNATIONAL ENERGY AGENCY (IEA),

UNDP, THE IMF, OECD, CCMS AND OTHER MULTILATERAL BODIES;
NEW ZEALAND'S SUPPORT FOR U.S. INITIATIVES IN THESE
BODIES ON SUCH TOPICS AS WORLD ENERGY, TRADE,
NORTH-SOUTH RELATIONS AND TECHNOLOGY TRANSFER MECHANISMS.

(B) COURSES OF ACTION: KEEP GNZ OFFICIALS FULLY
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INFORMED, ON A CONTINUING AND TIMELY BASIS, OF U.S.
VIEWS ON WORLD ENERGY AND COMMODITIES PROBLEMS AND
PROPOSED METHODS FOR DEALING WITH THEM.

AVOID CONVEYING THE IMPRESSION THAT NEW ZEALAND
CAN BE TAKEN FOR GRANTED OR, BECAUSE NEW ZEALAND IS NOT
A MAJOR WORLD ECONOMIC POWER, THAT THERE IS NO NEED TO
CONSULT AND INFORM THE GNZ REGULARLY OF EVOLVING
POLICIES IN THESE FIELDS.

USIS SHOULD CONTINUE TO MAKE AVAILABLE, TO
SELECTED NEW ZEALAND AUDIENCES AND KEY GOVERNMENT AND
BUSINESS OFFICIALS, U.S. GOVERNMENT ENERGY EXPERTS,
BACKGROUNDER AND POLICY STATEMENTS ON U.S. ATTITUDES
AND POLICIES ON ENERGY DEVELOPEMENT, FINANCE AND TRADE.

(C) ISSUESC NEW ZEALAND MUST IMPORT MOST OF ITS
MINERAL NEEDS AND VIRTUALLY ALL OF ITS PETROLEUM. NEW
ZEALAND'S POSITION ON ENERGY AND COMMODITIES PROBLEMS
OFTEN PARALLELS THAT OF THE UNITED STATES, BUT ITS
DESIRE TO SELL MORE OF ITS PASTORAL PRODUCTS TO THE
UNITED STATES SOMETIMES CONVICTS WITH U.S. IMPORT
POLICIES. A GENERAL FEELING THAT NEW ZEALAND HAS
LITTLE INFLUENCE ON A NUMBER OF WORLD ENERGY AND
COMMODITIES MATTERS LEADS IT AT TIMES TO ADOPT A
CAUTIOUS APPROACH TO AVOID STRAINING RELATIONS
WITH COUNTRIES WHICH ARE, OR MAY BE, MARKETS FOR ITS
EXPORTS.

THE GNZ IS, NEVERTHELESS, SUSCEPTIBLE TO WELL
REASONED, COGENT ARGUMENTS FOR COOPERATION WHEN ITS
BROADER INTERESTS ARE EVIDENT.

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CINCPAC ALSO FOR POLAD

FROM THE AMBASSADOR

27. (A) OBJECTIVE: CONSULT CLOSELY ON MATTERS OF
MUTUAL CONCERN IN THE CONTEXT OF GATT AND MULTILATERAL
TRADE NEGOTIATIONS (MTN'S), AND ENCOURAGE NEW
ZEALAND'S SUPPORT AND UNDERSTANDING FOR U.S. INITIATIVES
AND POSITION.

(B) COURSES OF ACTION: U.S. SHOULD CONSULT
NEW ZEALAND ON A TIMELY AND CONTINUING BASIS (IN
WELLINGTON AND WASHINGTON, AS WELL AS IN GENEVA) ON
THE U.S. POSITION AND PROPOSED ACTIONS IN GATT AND
THE MTN IN ORDER TO DEVELOP EFFECTIVE JOINT APPROACHES.

(C) ISSUES: OVER 70 PERCENT BY VALUE OF NEW
ZEALAND'S EXPORTS ARE PASTORAL PRODUCTS, DEMAND FOR
WHICH IS AFFECTED BY THE IMPORT POLICIES AND DOMESTIC
ECONOMIC SITUATION OF NEW ZEALAND'S TRADING
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PARTNERS.

ON SOME ISSUES NEW ZEALAND'S OBJECTIVES IN THE
GATT AND IN THE MTN PARALLEL CLOSELY (BUT NOT
COMPLETELY) THOSE OF THE UNITED STATES. EVEN
WHEN THERE MAY BE ISSUES ON WHICH THE U.S. AND NEW
ZEALAND CAN BE EXPECTED TO HAVE DIVERGENT POSITIONS
IN THE MTN (FOR EXAMPLE, ASSURED ACCESS TO FOREIGN
MARKETS FOR AGRICULTURAL PRODUCTS AND NON-TARIFF

BARRIERS), NEW ZEALAND SHOULD BE AN EFFECTIVE ALLY IN SEVERAL OF THE MORE DIFFICULT TRADING PROBLEMS FACED IN THE GATT AND MTN.

ON THE OTHER HAND, NEW ZEALAND HOPES TO BENEFIT ALSO FROM CONCESSIONS WHICH THE U.S. WILL MAKE IN NEGOTIATIONS WITH THIRD COUNTRIES SUCH AS THE EEC.

OUR CLOSE WORKING RELATIONSHIP WITH NEW ZEALAND ON MULTILATERAL TRADE PROBLEMS COULD BE ADVERSELY AFFECTED BY U.S. IMPOSITION OF GREATER IMPORT RESTRICTION ON NEW ZEALAND'S MAIN EXPORTS TO THE U.S. (E.G. MEAT).

28. (A) OBJECTIVE: DISSUADE THE GNZ FROM ADOPTING ANY FURTHER TEMPORARY TRADE RESTRICTIONS, CONTINUE TO ENCOURAGE IT TO REDUCE AND EVENTUALLY ELIMINATE EXISTING NON-TARIFF BARRIERS AND ALSO REDUCE ITS RELATIVELY HIGH PROTECTIVE TARIFFS. ELIMINATE PREFERENTIAL ARRANGEMENTS WHICH ARE NOT CONSISTENT WITH THE SPIRIT OF GATT.

(B) COURSES OF ACTION: URGE NEW ZEALAND TO COMPLY WITH ITS OBLIGATIONS IN GATT, OECD AND OTHER BODIES. ENCOURAGE THE GNZ NOT TO ADOPT POLICIES OR PRACTICES WHICH RESTRICT TRADE FOR BALANCE-OF-PAYMENTS REASONS. ENCOURAGE IT TO RENEW THE OECD

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TRADE PLEDGE. REQUEST PROGRESS REPORTS ON BROADENING THE PRODUCT COVERAGE OF THE NEW ZEALAND-AUSTRALIA FREE TRADE AGREEMENT (NAFTA).

ATTEMPT TO RESOLVE DIRECTLY WITH THE GNZ THOSE TRADE ISSUES WHICH ARE MORE OF A BILATERAL NATURE BEFORE TAKING THEM UP IN THE GATT OR THE MTN.

(C) ISSUES: NEW ZEALAND, AN EXPORTER OF PRIMARY PRODUCTS, IS SUBJECT TO GREAT SWINGS IN ITS TERMS OF TRADE AND BALANCE OF PAYMENTS. AT PRESENT IT IS SUFFERING FROM VERY ADVERSE TERMS OF TRADE AND A LARGE BALANCE OF PAYMENTS DEFICIT. AS A TEMPORARY MOVE TO REDUCE IMPORTS, THE NATIONAL GOVERNMENT SHORTLY AFTER ASSUMING POWER INSTITUTED A TEMPORARY IMPORT DEPOSIT SCHEME ON A NUMBER OF CONSUMER AND SOME CAPITAL IMPORTS.

ABOUT 25 PER CENT OF NEW ZEALAND'S IMPORTS ARE STILL SUBJECT TO LICENSING, PARTLY TO PROTECT ITS INFANT INDUSTRY. IN RECENT YEARS, THE GNZ HAS BEEN ENCOURAGING

INDUSTRY TO EXPAND EXPORTS. HOWEVER, AS LONG AS ITS CURRENT BALANCE OF PAYMENTS PROBLEM PERSISTS (AND IT CAN BE EXPECTED TO PERSIST THROUGH THE NEXT TWO YEARS), THE GNZ WILL NOT ABOLISH EITHER LICENSING OR OTHER NTB'S. WHEN IT EVENTUALLY DOES REDUCE LICENSING, IMPORT DUTIES ON A NUMBER OF ITEMS NOT SUBJECT TO LICENSING WILL LIKELY BE INCREASED. HOWEVER, IT IS POSSIBLE THAT SOME IMPORT DUTIES IN THE PRESENT TARIFF HAVE BEEN KEPT HIGH FOR BARGAINING IN THE MTN.

NEW ZEALAND'S SMALL DOMESTIC MARKET AND GREAT DISTANCE FROM FOREIGN MARKETS ALSO INFLUENCE ITS TRADE POLICY.

HISTORICALLY NEW ZEALAND HAS BEEN CLOSELY TIED COMMERCIALY TO THE UNITED KINGDOM AND
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OTHER COMMONWEALTH COUNTRIES. FOLLOWING THE UK'S ENTRY INTO THE EEC, NEW ZEALAND BEGAN REDUCING IMPORT TARIFF PREFERENCE FOR THE UK. EXCEPT FOR AUTOMOBILES, VIRTUALLY ALL PREFERENCES WILL END BY JULY 1977. HOWEVER, ITS REVISED IMPORT TARIFF STILL MAINTAINS PREFERENCES FOR OTHER COMMONWEALTH COUNTRIES, MOST NOTABLY, CANADA AND AUSTRALIA WITH WHICH NEW ZEALAND HAS TRADE AGREEMENTS. THE NAFTA WHICH IS PERMITTED UNDER GATT ARTICLE XXIV, HAS AS ITS OBJECTIVE THE ESTABLISHMENT OF A LIMITED FREE TRADE AREA.

THE GNZ IS SENSITIVE TO U.S. "LECTURING" ON TRADE POLICY AND WE MUST AVOID ANY APPEARANCE OF IT. ITS STOCK RESPONSE TO U.S. URGING ON TARIFF AND NTB REDUCTION IS ESSENTIALLY THAT THE U.S. MUST ALSO REMOVE OR REDUCE BARRIERS TO NEW ZEALAND'S EXPORTS. FURTHERMORE, THE GNZ MAINTAINS, U.S. IMPORT RESTRICTIONS AFFECT NEW ZEALAND PROPORTIONATELY FAR MORE THAN NEW ZEALAND'S AFFECT THE UNITED STATES.

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FROM THE AMBASSADOR

29. (A) OBJECTIVE: CONSULTATION AND COOPERATION, TO
THE MAXIMUM EXTENT POSSIBLE ON U.S. ACTIONS RESTRICTING
NEW ZEALAND COMMODITY EXPORTS TO THE UNITED STATES.

(B) COURSES OF ACTION: ADVISE THE GNZ AS FAR IN
ADVANCE AS POSSIBLE OF ANY PROPOSED CHANGE IN U.S.
IMPORT POLICY OR DECISIONS AFFECTING NEW ZEALAND AN,
IN SO FAR AS POSSIBLE, TAKE INTO ACCOUNT THE GNZ
CONCERNS. MAKE EVERY EFFORT TO DEVISE COURSES OF ACTION
THAT WILL HAVE THE LEAST ADVERSE REPERCUSSIONS ON NEW
ZEALAND'S EXPORTS.

(C) ISSUES: NORMALLY THE U.S. TAKES BETWEEN 60
AND 70 PERCENT OF NEW ZEALAND'S BEEF AND VEAL EXPORTS.
IN THE PAST TWO YEARS, THE UNITED STATES HAS BEEN NEW
ZEALAND'S ONLY MAJOR MARKET FOR THESE PRODUCTS. EVEN
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WITH OTHER MARKETS OPEN, THE UNITED STATES IS AN
IMPORTANT, LUCRATIVE AND ATTRACTIVE MARKEY FOR MEAT AND
DAIRY PRODUCTS. A FAILURE TO CONSULT AND COOPERATE ON
ISSUES AFFECTING NEW ZEALAND'S EXPORTS TO THE U.S.
(PARTICULARLY BEEF) COULD ADVERSELY AFFECT U.S.
EXPORTS TO NEW ZEALAND AS WELL AS THE BROADER COOPERATIVE
ATTITUDE OF THE GNZ ON INTERNATIONAL TRADE, MUTUAL
SECURITY MATTERS AND OTHER ISSUES OF CONCERN TO THE U.S.

30. (A) OBJECTIVE: PROMOTE THE SALE OF U.S. PRODUCTS
IN NEW ZEALAND.

(B) COURSES OF ACTION: THE EMBASSY AND THE

DEPARTMENT OF COMMERCE SHOULD CONTINUE TO EMPHASIZE ACTIVE COMMERCIAL ASSISTANCE. WITH THE ASSISTANCE OF THE U.S. TRADE CENTER IN SYDNEY AND THE BACKING OF THE DEPARTMENT OF COMMERCE THE EMBASSY SHOULD MAINTAIN THE PRESENT LEVEL OF EXPORT PROMOTION BY SPONSORING PERIODIC TRADE EXHIBITIONS IN NEW ZEALAND IN SELECTED FIELDS, FACILITATING THE PARTICIPATION OF U.S. BUSINESS FIRMS IN NEW ZEALAND TRADE FAIRS AND ENCOURAGING U.S. TRADE MISSIONS TO VISIT NEW ZEALAND.

THE EMBASSY COMMERCIAL SECTION AND USIS SHOULD CONTINUE TO COORDINATE AND EXPAND THEIR JOINT TRADE PROMOTION ACTIVITIES. USIA AND THE DEPARTMENTS OF STATE AND COMMERCE SHOULD ALSO EXPLORE NEW AVENUES FOR GREATER USIA ASSISTANCE IN COMMERCIAL PROMOTION BOTH IN WASHINGTON AND IN NEW ZEALAND.

THE AGRICULTURAL ATTACHE'S OFFICE SHOULD CONTINUE TO PROMOTE THE SALE OF U.S. AGRICULTURAL PRODUCTS, ASSIST U.S. EXPORTERS AND NEW ZEALAND IMPORTERS TO MEET NEW ZEALAND IMPORT INSPECTION LAWS AND ASSIST WITH GAINING IMPORT LICENSES.

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THE COMMERCIAL NEWSLETTER SHOULD BE CONTINUED AND PRODUCT INFORMATION SHOULD BE WIDELY DISSEMINATED BY USIS.

(C) ISSUES: ALTHOUGH THE GNZ IS GENERALLY DISCOURAGING EXPANSION OF INDUSTRY FOR DOMESTIC CONSUMPTION, IT IS ENCOURAGING INCREASED INDUSTRIAL EXPORTS. THIS INVOLVES PURCHASING PLANT, EQUIPMENT AND MATERIALS. IMPORTS FOR NZ'S FARMING AND OTHER SECTORS INVOLVED IN EXPORTING WILL CONTINUE. AS NEW ZEALAND'S CLOSE TRADING TIES WITH THE UK LOOSEN, THE U.S. IS RELATIVELY MORE COMPETITIVE, BUT OTHER COUNTRIES SUCH AS JAPAN, AUSTRALIA AND THE EEC ARE INCREASINGLY ACTIVE IN THE NEW ZEALAND MARKET.

31. (A) OBJECTIVE: CREATION OF A FAVORABLE ENVIRONMENT FOR FOREIGN INVESTMENT ON A NON-DISCRIMINATORY BASIS.

(B) COURSES OF ACTION: THE USG SHOULD ALERT POTENTIAL U.S. INVESTORS TO CURRENT GNZ POLICIES, LIMITATIONS AND PROCEDURES FOR INVESTING AS WELL AS SENSITIVITIES AND PITFALLS.

THE USG SHOULD EMPHASIZE, WHEN APPROPRIATE, THE

IMPORTANT BENEFITS TO NEW ZEALAND OF FOREIGN INVESTMENT IN ITS ECONOMIC DEVELOPMENT AND TRADE, BUT AVOID ANY APPEARANCE OF FOREIGN INVESTMENT PRESSURE SINCE THIS IS GENERALLY MORE APT TO FAN PUBLIC OPPOSITION THAN GAIN OFFICIAL OR PUBLIC SUPPORT.

USIS PROGRAMS IN SUPPORT OF THE ROLE OF FOREIGN INVESTMENT AND THE POSITIVE NATURE OF MULTINATIONAL CORPORATIONS SHOULD BE EXPLAINED BY THE USE OF VOLUNTEER SPEAKERS TO ADDRESS SELECTED BUSINESS AND GOVERNMENT OFFICIALS.
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C. ISSUES: THE GNZ IS NOT ADVERSE TO FOREIGN INVESTMENT, BUT PUBLIC OPPOSITION HAS REVIVED SOMEWHAT IN REACTION TO GREATER FOREIGN INVOLVEMENT IN PETROLEUM EXPLORATION IN NEW ZEALAND AND IN DEVELOPMENT OF NEW ZEALAND'S FISHERIES RESOURCES. ALTHOUGH THE GNZ DOES NOT GENERALLY SEEK FOREIGN INVESTMENT, IT HAS PUBLICALLY ACKNOWLEDGE THE BENEFICIAL ROLE FOREIGN INVESTMENT CAN PLAY IN DEVELOPMENT IN THE NEW ZEALAND ECONOMY. ITS POLICY IS TO PERMIT FOREIGN INVESTMENT WHICH OFFERS CLEAR BENEFITS TO NEW ZEALAND. IT HAS ENUNCIATED A CLEAR SET OF CONDITIONS AND RULES FOR PROSPECTIVE FOREIGN INVESTORS. WHILE SOME OF THESE MAY BE REGARDED AS BURDENSOME, THEIR PURPOSE IS NOT TO PRECLUDE FOREIGN INVESTMENT.

32. (A) OBJECTIVE: CONTINUE OUR PRACTICE OF CLOSE CONSULTATION WITH THE GNZ ON CIVIL AVIATION MATTERS.

(B) COURSES OF ACTION: THE U.S. SHOULD FOLLOW THROUGH QUICKLY ON ALL MATTERS AFFECTING U.S./N.Z. CIVIL AVIATION INTERESTS AND CONTINUE TO DEMONSTRATE GENERALLY A HELPFUL, COOPERATIVE ATTITUDE TOWARD NEW ZEALAND CIVIL AVIATION INTERESTS. AT THE SAME TIME, WE SHOULD PROTECT AND PROMOTE THE INTERESTS OF U.S. AVIATION OPERATIONS INCLUDING CHARTER OPERATIONS UNDER THE NEW U.S. INTERNATIONAL AIR TRANSPORT POLICY.

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MMO-01 EB-08 SCA-01 IO-13 INR-07 PM-04 CU-02
AGR-05 AID-05 CIAE-00 COM-02 DODE-00 FEA-01 NSC-05
TRSY-02 USIA-06 /092 W
-----310406Z 076734 /13

R 302226Z MAR 77
FM AMEMBASSY WELLINGTON
TO SECSTATE WASHDC 2955
INFO AMCONSUL AUCKLAND
CINCPAC

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NOFORN

CINCPAC ALSO FOR POLAD

FROM THE AMBASSADOR

(C) ISSUE: U.S./N.Z. RELATIONS IN CIVIL AVIATION
MATTERS CONTINUE TO BE GOOD. THERE DOES NOT APPEAR TO
BE ANY REASON THIS RELATIONSHIP SHOULD CHANGE,
ESPECIALLY WITH PROMPT USG CONSULTATION ON MATTERS OF
CONCERN TO EITHER GOVERNMENT.

33. (A) OBJECTIVE: SUPPORT NEW ZEALAND RSOLVE TO
MAINTAIN A HIGH LEVEL OF BILATERAL AND MULTILATERAL
DEVELOPMENT ASSISTANCE, ESPECIALLY TO THE NEIGHBORING
PACIFIC ISLAND COUNTRIES.

(B) COURSES OF ACTION: THE U.S. SHOULD KEEP THE
GNZ INFORMED ON A TIMELY AND CONTINUING BASIS OF U.S.
POLICY AND OBJECTIVES, NORTH-SOUTH ISSUES AND GENERAL
DEVELOPMENT ASSISTANCE, ESPECIALLY IN THE MULTILATERAL
AGENCIES. THE USG SHOULD ENCOURAGE GNZ SUPPORT FOR
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U.S. INITIATIVES.

THE USG SHOULD ENCOURAGE AS APPROPRIATE BILATERAL
CONSULTATIONS BETWEEN AID OFFICIALS OF THE TWO COUNTRIES

IF REQUESTED, WE SHOULD MAKE AVAILABLE TO THE GNZ
USEFUL MATERIAL AND INFORMATION ON ASSISTANCE TO AREAS
SIMILAR TO THE SOUTH PACIFIC.

(C) ISSUES: A MAJOR SHARE OF NEW ZEALAND AID IS EARMARKED FOR BILATERAL DEVELOPMENT ASSISTANCE TO ISLAND COUNTRIES OF THE SOUTH PACIFIC WHERE NEW ZEALAND HAS SPECIAL OBLIGATIONS AND INTERESTS. IT WAS THE FORMER LABOR GOVERNMENT'S POLICY TO INCREASE TOTAL GNZ OFFICIAL AID. THE NATIONAL GOVERNMENT, DESPITE THE ADVERSE BALANCE OF PAYMENTS, IS CONTINUING TO MAINTAIN THE GENERAL LEVEL AND ALSO AIMS TO INCREASE DEVELOPMENT AID, PARTICULARLY TO THE SOUTH PACIFIC.

NEW ZEALAND VIEWS ITSELF IN A LEADERSHIP ROLE IN THE SOUTH PACIFIC, BELIEVES IT CAN BE SUCCESSFUL IN THE ROLE AND IS CONFIDENT IT CAN IN THE PROCESS MAKE A SIGNIFICANT CONTRIBUTION TO PACIFIC REGION STABILITY AND SECURITY. THIS IS A ROLE WHICH NICELY COMPLEMENTS USG POLICY IN THE REGION AND SHOULD BE ENCOURAGED.

34. CULTURAL, SCIENTIFIC AND TECHNOLOGICAL

(A) OBJECTIVE: CONTINUE AND EXPAND EDUCATIONAL AND CULTURAL RELATIONS IN A BINATIONAL FRAMEWORK IN ORDER TO DEVELOP A DEEPER, MORE ACCURATE PERCEPTION OF EACH OTHER'S HERITAGE AND CONTEMPORARY VALUES.

(B) COURSES OF ACTION: CONTINUE TO SUPPORT THE NEW ZEALAND-UNITED STATES EDUCATIONAL FOUNDATION (NZUSEF).

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CAREFULLY SELECT AND EFFECTIVELY PROGRAM NEW ZEALANDERS UNDER THE INTERNATIONAL VISITORS AND FACILITATIVE ASSISTANCE PROGRAMS, AND AMERICANS UNDER THE AMERICAN SPECIALISTS AND VOLUNTARY SPEAKERS PROGRAMS.

GIVE SPECIAL ATTENTION TO THE SUCCESS OF THE AMERICAN STUDIES PROGRAMS, ENCOURAGING AND SUPPORTING THE TEACHING OF AMERICAN SUBJECTS EITHER IN FORMAL AMERICAN STUDIES OR TRADITIONAL DISCIPLINES.

INCREASE OUR CULTURAL AND PUBLIC AFFAIRS PROGRAMMING IN AUCKLAND.

(C) ISSUES: THE EXISTING CULTURAL AFFINITY BETWEEN THE UNITED STATES AND NEW ZEALAND IS AN IMPORTANT FACTOR IN OUR RELATIONSHIP. BUT IT CAN BE STRENGTHENED. ACTIVE NEW ZEALAND PARTICIPATION IN THE JOINTLY-FUNDED NEW ZEALAND-UNITED STATES EDUCATIONAL FOUNDATION IS THE CORNERSTONE OF HER INTEREST IN CLOSE CULTURAL AND EDUCATIONAL CONTACTS WITH THE U.S. IN

FY 1976 NEW ZEALAND UNILATERALLY INCREASED ITS CONTRIBUTION TO THE NZUSEF THUS FORCING THE U.S. TO SIMILARLY INCREASE ITS SHARE. THE DEPARTMENT AND EMBASSY SHOULD BE ALERT TO THE POSSIBILITY THAT THIS MAY HAPPEN AGAIN.

ONE-FOURTH OF ALL NEW ZEALANDERS LIVE IN THE AUCKLAND AREA. IT HAS A MAJOR UNIVERSITY AND MAJOR TECHNICAL INSTITUTE, ONE OF NEW ZEALAND'S TWO TELEVISION STATIONS, TWO MAJOR NEWSPAPERS, A VERY LARGE POLYNESIAN COMMUNITY, THE COUNTRY'S BUSINESS CENTER, AND MANY OF THE MOST PROMINENT AGITATORS AND PRESSURE GROUPS FOR CHANGE IN NEW ZEALAND POLITICS AND SOCIETY. IT IS A MARKET WHICH WE ARE NOT IGNORING BUT WHICH CAN BE MORE HEAVILY AND EFFECTIVELY PROGRAMMED USING THE RESOURCES OF OUR CONSULATE GENERAL AS WELL AS USIS. CONFIDENTIAL

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35. (A) OBJECTIVE: INSURE A CONTINUED WELCOME FOR AND COOPERATION WITH OUR ANTARCTIC SUPPORT OPERATION IN CHRISTCHURCH.

(B) COURSES OF ACTION: ASSURE NEW ZEALAND OF OUR FIRM SUPPORT FOR THE MULTILATERAL ANTARCTIC TREATY WHICH IS THE FOUNDATION FOR THE SUCCESSFUL COOPERATION ON THAT CONTINENT BETWEEN OUR TWO COUNTRIES.

MAINTAIN A LOW PROFILE AND CONTINUE CLOSE LIAISON AND COOPERATION WITH THE GNZ IN ALL ASPECTS OF ANTARCTIC RESEARCH AND SUPPORT.

(C) ISSUES: ESSENTIALLY, WE HAVE FEW PROBLEMS WITH RESPECT TO ANTARCTIC SUPPORT OPERATIONS. LEFT-WING ELEMENTS HAVE AND LIKELY WILL CONTINUE TO MAKE PERIODIC PROTESTS ABOUT OUR PRESENCE THERE. THESE ARE SELDOM, HOWEVER, PROTESTS AGAINST THE SUPPORT OPERATIONS THEMSELVES. RATHER THE OPERATIONS FACILITIES ARE "TARGETS OF OPPORTUNITY" FOR THOSE DISPLEASED WITH SOME OTHER U.S. ACTION OR POLICY.

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NOFORN

CINCPAC ALSO FOR POLAD

FROM THE AMBASSADOR

36. (A) OBJECTIVE: NEW ZEALAND'S COOPERATION WITH
THE U.S. IN DEVELOPING A REALISTIC AND RESPONSIBLE
POLICY FOR THE FUTURE USE OF THE ANTARCTIC'S NATURAL
AND LIVING RESOURCES.

(B) COURSES OF ACTION: THE U.S. SHOULD CONTINUE
TO SHARE WITH THE GNZ THE FULL PRODUCT OF OUR RESEARCH
PROGRAMS IN THE ANTARCTIC. THE EMBASSY IN WELLINGTON
AND THE SUPPORT OPERATIONS IN CHRISTCHURCH SHOULD
FACILITATE THE MOVEMENT OF INFORMATION AND PEOPLE
BETWEEN THE SCIENTIFIC COMMUNITIES OF OUR TWO
COUNTRIES DEALING IN ANTARCTIC MATTERS.

WE SHOULD MAKE KNOWN TO THE GNZ OUR EXPECTATION
THAT IT WILL PLAY A PROMINENT ROLE IN FORMULATING AN
ANTARCTICA RESOURCES REGIME AND OUR INTENTION TO
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CONSULT FULLY WITH THE GNZ AT EVERY SEP OF THE POLICY
DEVELOPMENT.

(C) ISSUES: NEW ZEALAND, AS AN ANTARCTICA
CLIMANT STATE, CAN BE EXPECTED TO DIFFER WITH THE U.S.
ON THE ISSUES OF ANTARCTIC NATURAL RESOURCE JURISDICTION
AND EXPLOITATION. ITS CLAIMS TO THE ROSS DEPENDENCY
ARE STRONGLY, ALTHOUGH NOT EMOTIONALLY, HELD.

NEW ZEALAND WILL LIKELY BE COOPERATIVE BUT NOT PLIABLE IN WORKING TOWARD A NEW INTERNATIONAL AGREEMENT FOR THE ANTARCTIC.

37. (A) OBJECTIVE: SUPPORT THE BILATERAL SCIENCE AND TECHNOLOGY AGREEMENT AS A VEHICLE FOR MUTUALLY BENEFICIAL RESEARCH AND DEVELOPMENT.

(B) COURSES OF ACTION: CONTINUE TO ASSIST IN THE MUTUALLY BENEFICIAL EXCHANGES THAT ARE ALREADY WELL UNDERWAY.

INSURE THAT THE IMPORTANCE OF THE AGREEMENT IS MADE KNOWN TO U.S. AGENCIES.

URGE THE NATIONAL SCIENCE FOUNDATION TO CONTINUE ITS PROGRAM OF PERIODIC VISITS AND EXCHANGES WITH NEW ZEALAND SCIENTISTS.

USE THE RESOURCES OF USIS TO PROMOTE THE VIRTUES OF THE AGREEMENT AND THE PERTINENT VALUE TO BOTH NEW ZEALAND AND THE U.S. OF THE HIGH QUALITY SCIENTIFIC AND TECHNOLOGICAL INFORMATION THAT IS EXCHANGED.

(C) ISSUES: THE BILATERAL AGREEMENT IS CONSIDERED BY MOST HIGH-LEVEL GNZ OFFICIALS TO BE A SIGNIFICANT FORWARD STEP IN OUR RELATIONS. IT IS ONE OF THE FEW CONFIDENTIAL

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AGREEMENTS BETWEEN OUR COUNTRIES THAT DOES NOT INVOLVE MILITARY ARRANGEMENTS. NEW ZEALAND HAS A GREAT DEAL OF EXPERTISE TO OFFIER, PARTICULARLY IN THE FIELDS OF ENERGY RESEARCH, E.G. GEOTHERMAL ENERGY. THE PROGRAM REQUIRES ONLY A MINIMAL AMOUNT OF SUPPORT WHICH WE SHOULD CONTINUE TO GIVE.

38. (A) OBJECTIVE: MAINTAIN A POSITIVE CLIMATE FOR U.S. SPACE MONITORING FACILITIES IN NEW ZEALAND.

(B) COURSE OF ACTION: CONTINUE THE LOW PROFILE OF THE MT. JOHN/ BAKER-NUNN COMPLEX. CONTINUE THE "OPEN-DOOR" POLICY AT MT. JOHN INCLUDING A WELCOME TO ALL VISITORS TO INSPECT THE FACILITIES.

(C) ISSUE: IN LATE 1975 THE OPERATIONS OF THE MR. JOHN/BAKER-NUNN FACILITY WERE RELINQUISHED BY THE USAF AND ASSUMED BY A CIVILIAN AMERICAN CONTRACTOR. WITH THAT TRANSFER AND THE DAILY OPENING OF THE FACILITIES TO PUBLIC INSPECTION, ORGANIZED OPPOSITION TO THE SPACE MONITORING COMPLEX VIRTUALLY CEASED. WHILE OCCASIONAL LEFT-WING PROTESTS CAN BE EXPECTED, THE FACILITY IS UNLIKELY TO AGAIN BECOME A TROUBLESOME ISSUE IN U.S.-NEW ZEALAND RELATIONS.

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Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
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Concepts: POLICIES, FOREIGN RELATIONS, ANNUAL REPORTS, INTELLIGENCE ASSESSMENTS
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977WELLIN01163
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: DC PER 77 WELLINGTON 1273
Executive Order: GS
Errors: N/A
Expiration:
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From: WELLINGTON
Handling Restrictions: n/a
Image Path:
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Litigation Code IDs:
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Litigation History:
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Message ID: 47197db6-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 29
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
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Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
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Review Transfer Date:
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SAS ID: 3078610
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Status: NATIVE
Subject: PARM - ANNUAL POLICY AND RESOURCE ASSESSMENT - PART I
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To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/47197db6-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009